

CITY OF MILLVILLE
FINANCIAL STATEMENTS

June 30, 2006

CITY OF MILLVILLE
TABLE OF CONTENTS

	<u>Page</u>
Financial Section:	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Balance Sheet – Governmental Funds	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Net Assets – Proprietary Fund	19
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Fund	20
Statement of Cash Flows – Proprietary Fund	21
Notes to Financial Statements	23
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	43
Notes to Required Supplementary Information	44

CITY OF MILLVILLE
TABLE OF CONTENTS

	<u>Page</u>
Supplementary Information:	
General Fund - Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	47
Budgetary Comparison Schedule – Capital Projects Fund	50
Water and Sewer Fund - Statement of Revenues and Expenses - Budget and Actual	51
Supplemental Water, Sewer and Insurance Information	52
Supplemental Impact Fee Information	53
Governmental Audit Report:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55
State Compliance Report:	
Report on Compliance with State Legal Compliance Requirements	59



**JONES
P.C.
SIMKINS**

Certified Public Accountants

1011 West 400 North, Suite 100

P.O. Box 747

Logan, UT 84323-0747

Phone: (435) 752-1510 • (877) 752-1510

Fax: (435) 752-4878

OFFICERS:

Paul D. Simkins, CPA

Michael C. Kidman, CPA, MBA

Brent S. Sandberg, CPA

Brett C. Hugie, CPA

Mark E. Low, CPA

H. Paul Gibbons, CPA

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Millville
Millville, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Millville, Utah (the City), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Millville, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 9, 2006, on our consideration of the internal controls over financial reporting and on our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and on pages 43 and 44 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental budget to actual statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The supplemental water, sewer, insurance, and impact fee information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



JONES SIMKINS, P.C.
November 9, 2006

CITY OF MILLVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

This document is a narrative overview and analysis of the financial activities of Millville City (the City) for the fiscal year ending June 30, 2006. The City's management encourages readers to consider the information presented here in conjunction with the financial statements which follow this section. To help the reader with navigation of this report, the City's activities are classified in the following manner: governmental activities refers to general administration, parks and recreation, highways and public improvements, planning, public safety, etc., while business-type activities refers to operations of the City's water and sewer activities.

FINANCIAL HIGHLIGHTS

The total net assets of the City increased by \$534,537 which total \$3,729,833. The governmental net assets increased by \$396,322 and the business-type net assets increased by \$138,215. The majority of these increases stems from investments in capital assets with many being from developer donations.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, you would also need to consider other non-financial factors.

The statement of activities presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government and administration, public safety, development services, and cultural and

CITY OF MILLVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

recreational programs. The business-type activities of the City include water and sewer. The government-wide financial statements can be found on pages 13 to 14 of this report.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories—governmental and proprietary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General and Capital Projects funds, which are considered to be major funds. The basic governmental funds financial statements can be found on pages 15 to 18 of this report.

Proprietary Fund – The City maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer activities.

Proprietary funds provide the same type of information as the government-wide financial statements. The proprietary fund financial statements provide detailed activities of the water and sewer fund. The basic proprietary fund financial statements can be found on pages 19 to 22 of this report.

Fiduciary funds – These funds are used to account for resources held for the benefit of parties outside the government. The City currently has no fiduciary funds.

CITY OF MILLVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 to 41 of this report.

GOVERNMENTAL –WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities and fund equity by \$3,729,833 as of June 30, 2006.

The largest portion of the City's net assets reflects its investments in capital assets (e.g., land, infrastructure, intangible assets) less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide current services to residents and is planning for future services with regard to the sewer system. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

MILLVILLE CITY'S NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 759,064	702,695	320,159	433,324	1,079,223	1,136,019
Capital assets	<u>1,933,713</u>	<u>1,543,996</u>	<u>2,682,040</u>	<u>2,457,700</u>	<u>4,615,753</u>	<u>4,001,696</u>
Total assets	<u>2,692,777</u>	<u>2,246,691</u>	<u>3,002,199</u>	<u>2,891,024</u>	<u>5,694,976</u>	<u>5,137,715</u>
Liabilities	108,076	58,312	147,268	123,886	255,344	182,198
Non-current liabilities	-	-	<u>1,709,799</u>	<u>1,760,221</u>	<u>1,709,799</u>	<u>1,760,221</u>
Total liabilities	<u>108,076</u>	<u>58,312</u>	<u>1,857,067</u>	<u>1,884,107</u>	<u>1,965,143</u>	<u>1,942,419</u>
Net assets:						
Investments in capital assets, net of related debt	1,933,713	1,543,996	923,739	649,964	2,857,452	2,193,960
Restricted	243,286	311,960	19,200	19,200	262,486	331,160
Unrestricted	<u>407,702</u>	<u>332,423</u>	<u>202,193</u>	<u>337,753</u>	<u>609,895</u>	<u>670,176</u>
Total net assets	\$ <u>2,584,701</u>	<u>2,188,379</u>	<u>1,145,132</u>	<u>1,006,917</u>	<u>3,729,833</u>	<u>3,195,296</u>

Restricted net assets and reserved balances represent monies required to be maintained to satisfy third party agreements or legal requirements. Unrestricted net assets may be used to meet the government's on-going obligations to citizens and creditors.

As of June 30, 2006, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

CITY OF MILLVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

Analysis of the City's Operations – Overall, the City had an increase in net assets of \$534,537, and this change will be analyzed below.

Governmental Activities: Governmental activities increased the net assets by \$396,322 or approximately 75% of the total growth in net assets. The majority of this increase included roads and related improvements donated by developers, sidewalk improvements, improvements to the city park restroom, purchase of a new park mower, and improvements to the newly built north park. Approximately 50% of the increase resulted from developer donated assets.

Sales and use tax revenues increased by approximately \$33,056 or 17% because of increased sales tax collections received locally and from the State of Utah.

The City received a grant from the State of Utah for the construction of sidewalks in the amount of \$42,000.

Business-type Activities: Net assets from business-type activities increased \$138,215 or 14%. Approximately \$50,000 or approximately 35% of the increase resulted from developer donated water lines.

CITY OF MILLVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

The following table provides a summary of the City's operations for the fiscal year ended June 30, 2006 with comparative totals for the fiscal year ended June 30, 2005.

MILLVILLE CITY CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues						
Program Revenues						
Charges for services	\$ 179,165	160,025	266,106	270,394	445,271	430,419
Operating grants	56,075	56,845	-	-	56,075	56,845
Capital grants and contributions	255,191	321,201	50,400	73,925	305,591	395,126
General Revenues						
Property taxes	54,395	50,949	-	-	54,395	50,949
Sales and use taxes	214,470	185,495	-	-	214,470	185,495
Franchise taxes	4,081	5,369	-	-	4,081	5,369
Fees in lieu of water shares	-	-	29,260	-	29,260	-
Other revenues	27,543	31,167	16,176	9,059	43,719	40,226
Total revenues	790,920	811,051	361,942	353,378	1,152,862	1,164,429
Expenses						
General government	108,216	85,589	-	-	108,216	85,589
Public safety	60,825	55,225	-	-	60,825	55,225
Streets and public improvements	192,544	179,716	-	-	192,544	179,716
Parks and recreation	33,013	37,701	-	-	33,013	37,701
Water and sewer	-	-	223,727	227,280	223,727	227,280
Total expenses	394,598	358,231	223,727	227,280	618,325	585,511
Increase in net assets before transfers	396,322	452,820	138,215	126,098	534,537	578,918
Transfers	-	34,000	-	(34,000)	-	-
Increase in net assets	396,322	486,820	138,215	92,098	534,537	578,918
Change in net assets	396,322	486,820	138,215	92,098	534,537	578,918
Net assets – beginning (7/01/05)	2,188,379	1,701,559	1,006,917	914,819	3,195,296	2,616,378
Net assets – ending (6/30/06)	\$ 2,584,701	2,188,379	1,145,132	1,006,917	3,729,833	3,195,296

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental fund balance increased by \$6,605.

CITY OF MILLVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

Approximately 63%, or \$408,000, of total governmental fund balance constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed primarily for: (1) Class C roads, \$119,779 and (2) park improvements, \$120,117.

Proprietary funds – The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary fund are \$202,193. Total net assets increased from \$1,006,917 in 2005 to \$1,145,132, an increase of approximately \$138,215, most of which is due to contributions received from developers.

General Fund Budgetary Highlights – There were revisions made to the original appropriations approved by the City Council. During the year, a transfer to the Capital Projects Fund of \$90,000 was budgeted. Also the City was awarded and budgeted for a \$42,000 sidewalk construction grant. The general fund's budgeted revenues increased 21% as the result of increased revenue projections for taxes, intergovernmental revenues, and park impact fees.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2006 amounted to \$4,593,861. This investment in capital assets includes land, buildings, equipment, improvements, infrastructure, and construction in progress. The total increase in the City's investment in fixed assets for the current fiscal year was approximately 15% (25% for governmental activities and 9% for business-type activities).

Major capital assets added during the current fiscal year included the following (amounts are approximate):

- Excavation work on land for the north park for \$22,000.
- Purchase of a tractor with attachments for \$47,000.
- Purchase of a mower for the parks for \$15,000.
- Widening of 450 North and building the road on 100 East from 400 to 450 North for \$56,000.
- Sidewalk on Main Street from 100 to 400 North for \$58,000.
- Developer donated roads in the amount of \$94,000.
- Developer donated water lines in the amount of \$50,000.
- Developer donated sidewalks in the amount of \$42,000.
- Developer donated land for infrastructure in the amount of \$53,000.
- Purchase of culinary water rights for \$80,000.
- Construction in progress for "high-line" reservoir in the amount of \$145,000.

CITY OF MILLVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

Capital Assets at Year-end
Net of Accumulated Depreciation

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 355,309	302,809	73,252	73,252	428,561	376,061
Infrastructure	1,232,354	975,559	-	-	1,232,354	975,559
Buildings and improvements	215,034	194,394	-	-	215,034	194,394
Machinery and equipment	123,207	68,039	9,233	-	132,440	68,039
Water rights	-	-	80,000	-	80,000	-
Improvements	-	-	1,014,397	1,040,407	1,014,397	1,040,407
Other improvements	-	-	1,338,321	1,320,641	1,338,321	1,320,641
Construction in progress	7,809	3,195	144,945	-	152,754	3,195
Total	<u>\$1,933,713</u>	<u>1,543,996</u>	<u>2,660,148</u>	<u>2,434,300</u>	<u>4,593,861</u>	<u>3,978,296</u>

Additional information on the City's capital assets can be found in Note 4 on pages 34 to 35 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total debt of \$1,758,301. All of this debt is directly related to the business-type activities of our water and sewer fund.

Outstanding Debt at Year End
Bonds and Notes Payable

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General obligation bonds	\$ -	-	783,000	813,000	783,000	813,000
Water and sewer revenue bonds	-	-	903,800	915,320	903,800	915,320
Inter-city loan	-	-	71,501	79,416	71,501	79,416
Total	<u>\$ -</u>	<u>-</u>	<u>1,758,301</u>	<u>1,807,736</u>	<u>1,758,301</u>	<u>1,807,736</u>

During the fiscal year, the City's total debt decreased by \$49,435. The decrease was due to the following:

- Payment on an inter-city loan with Nibley City in the amount of \$7,915.
- There were payments made which decreased the general obligation and water and sewer revenue bonds amounting to \$41,520.

Additional information on the City's long-term debt can be found in Note 7 on pages 36 to 38 of this report.

CITY OF MILLVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the fiscal year 2006-2007 budget, general fund revenues are expected to be similar to those reflected in the 2005-2006 final budget.

Certified assessed real property valuations increased 7.3% over the preceding year.

The unemployment rate at the end of fiscal year 2006 for Cache County (of which the City is a part of) was 2.7% compared with a state unemployment rate of 3.3% and a national rate of 4.8%. Cache County's rate in 2005 was 3.3%. (Source: Utah Department of Workforce Services).

The City Council voted to approve the certified tax rate for property tax at the rate of 0.000853 for fiscal year 2006 which was a decrease from 0.000890 for fiscal year 2005.

Major projects and purchases budgeted for fiscal year 2007 include: construction of tennis courts, landscaping and sprinklers at the north park, and construction of a one million gallon "high-line" water reservoir.

Subsequent to year-end the City issued \$1,741,000 of water revenue bonds to finance the construction of a new water reservoir. The City also increased the rate charged for water services.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Millville City Recorder, P. O. Box 308, Millville Utah, 84326-0308.

This page intentionally left blank.

Basic Financial Statements

CITY OF MILLVILLE
STATEMENT OF NET ASSETS
June 30, 2006

<u>Assets</u>	Primary Government		
	Governmental Activities	Business-type Activities	Total
Pooled cash and cash equivalents	\$ 629,177	286,701	915,878
Receivables, net	129,887	33,458	163,345
Land	355,309	73,252	428,561
Purchased water rights	-	80,000	80,000
Construction in process	7,809	144,945	152,754
Improvements	-	1,040,407	1,040,407
Buildings	264,443	-	264,443
Furniture, fixtures, and equipment	149,773	32,107	181,880
Other improvements	-	1,785,978	1,785,978
Infrastructure	1,680,217	-	1,680,217
Accumulated depreciation	(523,838)	(496,541)	(1,020,379)
Deferred bond issuance costs, net	-	21,892	21,892
Total assets	<u>\$ 2,692,777</u>	<u>3,002,199</u>	<u>5,694,976</u>
<u>Liabilities</u>			
Liabilities:			
Accounts payable	\$ 63,940	25,791	89,731
Deposits	-	12,675	12,675
Accrued interest	-	60,300	60,300
Deferred revenue	44,136	-	44,136
Noncurrent liabilities:			
Due within one year	-	48,502	48,502
Due in more than one year	-	1,709,799	1,709,799
Total liabilities	<u>108,076</u>	<u>1,857,067</u>	<u>1,965,143</u>
<u>Net Assets</u>			
Investments in capital assets, net of related debt	1,933,713	923,739	2,857,452
Restricted	243,286	19,200	262,486
Unrestricted	407,702	202,193	609,895
Total net assets	<u>\$ 2,584,701</u>	<u>1,145,132</u>	<u>3,729,833</u>

The accompanying notes are an integral part
of these financial statements.

CITY OF MILLVILLE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental:							
General government	\$ 108,216	24,532	-	-	(83,684)	-	(83,684)
Public safety	60,825	25,285	576	-	(34,964)	-	(34,964)
Streets and public improvements	192,544	81,446	55,499	242,270	186,671	-	186,671
Parks and recreation	33,013	47,902	-	12,921	27,810	-	27,810
Total governmental activities	394,598	179,165	56,075	255,191	95,833	-	95,833
Business-type activities:							
Water and Sewer fund	223,727	266,106	-	50,400	-	92,779	92,779
Total business-type activities	223,727	266,106	-	50,400	-	92,779	92,779
Total primary government	\$ 618,325	445,271	56,075	305,591	95,833	92,779	188,612
General revenues:							
Taxes:							
Sales and use tax					218,551	-	218,551
Property tax					54,395	-	54,395
Total taxes					272,946	-	272,946
Fee in lieu of water shares							
Miscellaneous					-	29,260	29,260
Investment income					5,787	725	6,512
Transfers					21,756	15,451	37,207
					-	-	-
Total general revenues and transfers							
					300,489	45,436	345,925
Change in net assets							
Net assets—beginning					396,322	138,215	534,537
Net assets—ending					2,188,379	1,006,917	3,195,296
					\$ 2,584,701	1,145,132	3,729,833

The accompanying notes are an integral part
of these financial statements.

CITY OF MILLVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

<u>Assets</u>	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Pooled cash and cash equivalents	\$ 356,232	272,945	629,177
Taxes receivable	82,833	-	82,833
Accounts receivable, net	16,118	-	16,118
Due from other governmental units	30,936	-	30,936
 Total assets	 \$ 486,119	 272,945	 759,064
 <u>Liabilities and Fund Equities</u>			
Liabilities:			
Accounts payable	\$ 63,940	-	63,940
Deferred revenue	44,136	-	44,136
 Total liabilities	 108,076	 -	 108,076
Fund equity:			
Fund balances			
Reserved	243,286	-	243,286
Unreserved - undesignated	134,757	272,945	407,702
 Total fund equity	 378,043	 272,945	 650,988
 Total liabilities and fund equity	 \$ 486,119	 272,945	 759,064

The accompanying notes are an integral part
of these financial statements.

CITY OF MILLVILLE
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
For the Year Ended June 30, 2006

Total fund balances for governmental funds	\$	650,988
--	----	---------

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Land	\$	355,309	
Infrastructure		1,680,217	
Buildings and improvements		264,443	
Machinery and equipment		149,773	
Construction in progress		7,809	
Accumulated depreciation		<u>(523,838)</u>	<u>1,933,713</u>
Net assets of governmental activities	\$		<u><u>2,584,701</u></u>

The accompanying notes are an integral part
of these financial statements.

CITY OF MILLVILLE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 271,739	-	271,739
Licenses and permits	13,494	-	13,494
Intergovernmental	124,709	-	124,709
Charges for services	136,793	-	136,793
Fines and forfeitures	5,274	-	5,274
Miscellaneous revenues	26,934	7,579	34,513
Total revenues	<u>578,943</u>	<u>7,579</u>	<u>586,522</u>
Expenditures:			
General government	103,794	124	103,918
Public safety	60,824	-	60,824
Streets and public improvements	339,649	-	339,649
Parks and recreation	75,526	-	75,526
Total expenditures	<u>579,793</u>	<u>124</u>	<u>579,917</u>
Excess (deficiency) of revenues over expenditures	<u>(850)</u>	<u>7,455</u>	<u>6,605</u>
Other financing sources (uses):			
Transfer in from the general fund	-	90,000	90,000
Transfer out to the capital projects fund	(90,000)	-	(90,000)
Total other financing sources (uses)	<u>(90,000)</u>	<u>90,000</u>	<u>-</u>
Net change in fund balance	<u>(90,850)</u>	<u>97,455</u>	<u>6,605</u>
Fund balance - beginning of year	<u>468,893</u>	<u>175,490</u>	<u>644,383</u>
Fund balance - end of year	<u>\$ 378,043</u>	<u>272,945</u>	<u>650,988</u>

The accompanying notes are an integral part
of these financial statements.

CITY OF MILLVILLE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

Net change in fund balance - Total governmental funds	\$ 6,605
---	----------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$247,106 and developer donations of \$200,270 exceeded depreciation expense of \$57,659 in the current year.

<u>389,717</u>

Change in net assets of governmental activities	\$ <u>396,322</u>
---	-------------------

The accompanying notes are an integral part
of these financial statements.

CITY OF MILLVILLE
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2006

<u>Assets</u>	<u>Water and Sewer Fund</u>	<u>Total Business- Type Activities</u>
Pooled cash and cash equivalents	\$ 286,701	286,701
Accounts receivable, net	33,458	33,458
Land	73,252	73,252
Purchased water rights	80,000	80,000
Construction in process	144,945	144,945
Furniture, fixtures and equipment	32,107	32,107
Improvements	1,040,407	1,040,407
Other improvements	1,785,978	1,785,978
Accumulated depreciation	(496,541)	(496,541)
Deferred charges, net	21,892	21,892
Total assets	<u>\$ 3,002,199</u>	<u>3,002,199</u>
 <u>Liabilities</u>		
Liabilities:		
Accounts payable	\$ 25,791	25,791
Deposits	12,675	12,675
Accrued interest	60,300	60,300
Noncurrent liabilities:		
Due within one year	48,502	48,502
Due in more than one year	1,709,799	1,709,799
Total liabilities	<u>1,857,067</u>	<u>1,857,067</u>
 <u>Net Assets</u>		
Invested in capital assets, net of related debt	923,739	923,739
Restricted	19,200	19,200
Unrestricted	202,193	202,193
Total net assets	<u>\$ 1,145,132</u>	<u>1,145,132</u>

The accompanying notes are an integral part
of these financial statements.

CITY OF MILLVILLE
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS -
PROPRIETARY FUND
For The Year Ended June 30, 2006

	<u>Water and Sewer Fund</u>	<u>Total Business- Type Activities</u>
Operating revenues:		
Services	\$ 203,106	203,106
Miscellaneous	725	725
Total operating revenues	<u>203,831</u>	<u>203,831</u>
Operating expenses:		
Salaries and benefits	75,435	75,435
Current expenses	39,490	39,490
Depreciation and amortization	74,400	74,400
Total operating expenses	<u>189,325</u>	<u>189,325</u>
Operating income	14,506	14,506
Non-operating revenues (expenses):		
Impact fees	63,000	63,000
Interest income	15,451	15,451
Interest expense	(34,402)	(34,402)
Fees in lieu of water shares	29,260	29,260
Total non-operating revenues (expenses)	<u>73,309</u>	<u>73,309</u>
Income before contributions and transfers	87,815	87,815
Capital contributions	50,400	50,400
Change in net assets	138,215	138,215
Net assets - beginning of year	1,006,917	1,006,917
Net assets - end of year	<u>\$ 1,145,132</u>	<u>1,145,132</u>

The accompanying notes are an integral part
of these financial statements.

CITY OF MILLVILLE
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
For The Year Ended June 30, 2006

	<u>Water and Sewer Fund</u>	<u>Total Business- Type Activities</u>
<u>Cash flows from operating activities:</u>		
Receipts from customers and users	\$ 195,953	195,953
Payments to suppliers	(25,944)	(25,944)
Payments to employees	(73,827)	(73,827)
Net cash provided by operating activities	<u>96,182</u>	<u>96,182</u>
<u>Cash flows from non-capital financing activities</u>		
Impact fees	63,000	63,000
Fees in lieu of water shares	29,260	29,260
Net cash provided by non-capital financing activities	<u>92,260</u>	<u>92,260</u>
<u>Cash flows from capital and related financing activities:</u>		
Capital assets purchased	(248,339)	(248,339)
Principal payments on bonds	(49,435)	(49,435)
Interest payments on bonds	(27,162)	(27,162)
Net cash used in capital and related financing activities	<u>(324,936)</u>	<u>(324,936)</u>
<u>Cash flows from investing activities:</u>		
Interest received	15,451	15,451
Net cash provided by investing activities	<u>15,451</u>	<u>15,451</u>
Net decrease in cash and cash equivalents	(121,043)	(121,043)
Cash and cash equivalents at beginning of year	407,744	407,744
Cash and cash equivalents at end of year	<u>\$ 286,701</u>	<u>286,701</u>
 Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 14,506	14,506
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	74,400	74,400
Change in assets and liabilities:		
(Increase) in accounts receivable	(7,878)	(7,878)
Increase in accounts payable	14,279	14,279
Increase in deposits	875	875
Total adjustments	<u>81,676</u>	<u>81,676</u>
Net cash provided by operating activities	<u>\$ 96,182</u>	<u>96,182</u>

The accompanying notes are an integral part
of these financial statements.

CITY OF MILLVILLE
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
For The Year Ended June 30, 2006

	<u>Water and Sewer Fund</u>	<u>Total Business- Type Activities</u>
<u>Supplemental disclosure of non-cash transactions:</u>		
Other improvements acquired	\$ 50,400	50,400
Developer donation revenue	<u>(50,400)</u>	<u>(50,400)</u>
Total	\$ <u>-</u>	<u>-</u>

The accompanying notes are an integral part
of these financial statements.

CITY OF MILLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1 - Summary of Significant Accounting Policies

The City of Millville, Utah (the City), operates as an incorporated governmental entity within the State of Utah. The City operates under the Council-Mayor form of government and provides the following services: public safety (police and fire), highway and streets, sanitation, recreation, public improvements, planning and zoning, and general administrative services. In addition, the City owns and operates a water and sewer system.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The accounting policies of the City conform to generally accepted accounting principles.

The City has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by, or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. The City participates in the Cache Valley Transit District (CVTD) and the Cache Metropolitan Planning Organization (CMPO), which are separate legal entities which are not controlled or dependent upon the City. However, the City has imposed a $\frac{1}{4}$ of 1% sales tax to fund the CVTD. The Utah State Auditor's Office has determined that the sales tax is in effect collected by the CVTD and that the related revenue and expenditures should be excluded from these financial statements.

Basic Financial Statements - Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's public safety (police and fire), highway and streets, sanitation, recreation, public improvements, planning and zoning, and general administrative services are classified as governmental activities. The City's water and sewer services are classified as business-type activities.

CITY OF MILLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

Governmental activities are usually financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (general, public safety, etc.). The functions are also supported by general government revenues (property taxes, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property or sales taxes, intergovernmental revenues, interest income, etc.).

The City does not allocate indirect costs.

These government-wide statements focus more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

Basic Financial Statements – Fund Statements

The City's accounting system is organized on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the government establishes for accountability purposes in accordance with statutes, laws, regulations, restrictions, or specific purposes.

Separate financial statements are provided for governmental funds and proprietary funds. The emphasis of fund financial statements is on major individual funds, as defined by GASB Statement No. 34, with each displayed as a separate column.

CITY OF MILLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

All remaining governmental funds are aggregated and reported as non-major funds.

The following fund types are used by the City.

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City, both of which are considered to be major funds.

- The **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- The **Capital Projects Fund** is used to account for financial resources to be used for the acquisition of capital facilities and equipment by the City.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition, such as investment earnings, are reported as non-operating.

- **Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is (a) financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The **Water and Sewer Fund** operates as an enterprise fund and accounts for the water and sewer operations of the City and is considered to be a major fund.

CITY OF MILLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service and compensated absences expenditures are recorded only when payment is due.

Financial Statement Amounts

Cash and cash equivalents

For the purpose of the Statement of Net Assets, the term "cash and cash equivalents" includes all demand deposit accounts, savings accounts, or other short-term, highly liquid investments. For the purposes of the Statement of Cash Flows, the enterprise funds consider all highly liquid investments (including restricted assets) with original maturities of three months or less to be cash equivalents.

Accounts Receivable and Due From Other Governments

Receivables consist of all revenues earned at year-end but received after year-end. Allowances for uncollectible accounts are based upon historical trends. Receivable balances for the governmental activities include sales taxes, franchise taxes, property taxes, garbage collection fees, and other fees.

CITY OF MILLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

Business-type activities report receivables for utility service fees.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical costs. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings	30 years
Water improvements	30 to 40 years
Equipment	3 to 15 years
Infrastructure	40 to 80 years

In the governmental fund financial statements, the acquisition or construction of capital assets is accounted for as capital outlay expenditures.

Capitalized Interest

The City capitalizes net interest costs as part of the cost of construction of proprietary capital projects when material.

Deferred Revenues

In the government-wide statements and the proprietary fund statements, deferred revenue is recognized when cash or other assets are received or recognized prior to being earned. In the governmental fund statements, deferred revenue is recorded when revenue is either unearned or unavailable.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

CITY OF MILLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide financial statements. The long-term debt consists of bonds payable and notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

Equity Classifications

Equity in the government-wide financial statements is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of these assets.
- Restricted net assets – Consists of net assets with constraints placed on their use whether by 1) external groups such as creditors, grantors or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Governmental fund equity is classified as fund balance in the fund financial statements. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide financial statements.

Revenues

Property taxes, franchise taxes, licenses, fees-in-lieu, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Property taxes and fees-in-lieu associated with future periods are deferred. All other revenue items are considered to be measurable and available only when the City receives cash. Grants are usually reimbursable grants and are thus recognized as revenue at the time the expenditures are made.

Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB Statement No. 33. In addition, other revenues that do not result from providing services are reported as non-operating revenues.

CITY OF MILLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

Expenses/Expenditures

When an expense/expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the City's general policy to use qualifying restricted resources first.

For proprietary fund financial statements, operating expenses are those that result from providing services to customers.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual amounts could differ from these estimates.

Property Tax Calendar

Cache County assesses all taxable property other than centrally assessed property, which is assessed through the State, by May 22 of each year. The City must adopt a final tax rate prior to June 22, which is then submitted to the State for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalties bear interest at 6% above the federal discount rate from January 1 until paid.

CITY OF MILLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 2 – Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted by the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The City follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

At June 30, 2006, the City's deposits and investments consisted of the following:

<u>Financial Statement Description</u>	<u>Deposits</u>	<u>Investments</u>	<u>Cash</u>	<u>Total</u>
Pooled cash and cash equivalents:				
Cash-on-hand	\$ -	-	20	20
Demand deposits	22,625	-	-	22,625
Public Treasurer's Investment Pool	-	893,233	-	893,233
Total pooled cash and cash equivalents	22,625	893,233	20	915,878
Total all deposits and investments	\$ 22,625	893,233	20	915,878

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2006, the City's bank balances of \$39,006 were insured.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investments transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with the issuers of investment securities.

CITY OF MILLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 2 – Deposits and Investments (continued)

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investor Services or Standard & Poor’s; bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer’s Investment Fund.

The Utah State Treasurer’s Office operates the Public Treasurers’ Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionately in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant’s average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2006, all investments held by the City are in the PTIF, which has a maturity of less than 1 year.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State’s Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all City investments in commercial paper, bankers’ acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

CITY OF MILLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 2 – Deposits and Investments (continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing exposure to credit risk is to comply with the State's Money Management Act as previously discussed. At June 30, 2006, all investments held by the City are in the PTIF which is unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy for reducing this risk is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy for custodial risk is to use the PTIF whenever possible. As of June 30, 2006, all of the City's investments were in the PTIF.

CITY OF MILLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 3 – Receivables

The City has taxes receivable, accounts receivable, and due from other governments as of June 30, 2006, as follows:

General Fund:

Taxes:

Property taxes	\$ 46,704
Sales tax	34,977
Franchise taxes	<u>1,152</u>

Total \$ 82,833

Accounts:

Garbage	\$ 13,331
911 fees	1,859
Miscellaneous	<u>928</u>

Total \$ 16,118

Due from other government units:

RAPZ Tax Grant	\$ 7,809
Utah Department of Transportation	10,500
Class "C" Roads – State of Utah	<u>12,627</u>

Total \$ 30,936

Total receivables, net \$ 129,887

Water and Sewer Fund:

Accounts:

Services and fees	\$ 34,458
Less allowance for doubtful accounts	<u>(1,000)</u>

Total \$ 33,458

CITY OF MILLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 4 - Capital Assets

Capital asset changes occurring for the year ended June 30, 2006, are as follows:

	<u>July 1,</u> <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30,</u> <u>2006</u>
<u>Governmental activities:</u>					
Capital assets not being depreciated:					
Land	\$ 302,809	52,500	-	-	355,309
Construction in process	<u>3,195</u>	<u>7,809</u>	<u>(3,195)</u>	<u>-</u>	<u>7,809</u>
Total capital assets not being depreciated	<u>306,004</u>	<u>60,309</u>	<u>(3,195)</u>	<u>-</u>	<u>363,118</u>
Capital assets being depreciated:					
Buildings	239,506	24,937	-	-	264,443
Furniture, fixtures and equipment	100,076	61,690	(11,993)	-	149,773
Infrastructure	<u>1,376,582</u>	<u>303,635</u>	<u>-</u>	<u>-</u>	<u>1,680,217</u>
Total capital assets being depreciated	<u>1,716,164</u>	<u>390,262</u>	<u>(11,993)</u>	<u>-</u>	<u>2,094,433</u>
Accumulated depreciation for:					
Buildings	(45,112)	(4,297)	-	-	(49,409)
Furniture, fixtures and equipment	(32,037)	(6,522)	11,993	-	(26,566)
Infrastructure	<u>(401,023)</u>	<u>(46,840)</u>	<u>-</u>	<u>-</u>	<u>(447,863)</u>
Total accumulated depreciation	<u>(478,172)</u>	<u>(57,659)</u>	<u>11,993</u>	<u>-</u>	<u>(523,838)</u>
Total governmental activities capital assets, net	\$ <u>1,543,996</u>	<u>390,927</u>	<u>-</u>	<u>-</u>	<u>1,933,713</u>

Depreciation expense was charged to functions of the City as follows:

General government	\$ 4,297
Streets and public improvements	52,581
Parks and recreation	<u>781</u>
Total depreciation expense	\$ <u>57,659</u>

CITY OF MILLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 4 - Capital Assets (continued)

	July 1, 2005	Additions	Deletions	Transfers	June 30, 2006
<u>Business-type activities:</u>					
Capital assets not being depreciated:					
Land	\$ 73,252	-	-	-	73,252
Construction in process	-	144,945	-	-	144,945
Water rights	-	80,000	-	-	80,000
Total capital assets not being depreciated	<u>73,252</u>	<u>224,945</u>	<u>-</u>	<u>-</u>	<u>298,197</u>
Capital assets being depreciated:					
Equipment	22,874	9,233	-	-	32,107
Improvements	1,040,407	-	-	-	1,040,407
Other improvements	<u>1,721,417</u>	<u>64,561</u>	<u>-</u>	<u>-</u>	<u>1,785,978</u>
Total capital assets being depreciated	<u>2,784,698</u>	<u>73,794</u>	<u>-</u>	<u>-</u>	<u>2,858,492</u>
Accumulated depreciation for:					
Equipment	(22,874)	-	-	-	(22,874)
Improvements	-	(26,010)	-	-	(26,010)
Other improvements	<u>(400,776)</u>	<u>(46,881)</u>	<u>-</u>	<u>-</u>	<u>(447,657)</u>
Total accumulated depreciation	<u>(423,650)</u>	<u>(72,891)</u>	<u>-</u>	<u>-</u>	<u>(496,541)</u>
Total capital assets being depreciated, net	<u>2,361,048</u>	<u>903</u>	<u>-</u>	<u>-</u>	<u>2,361,951</u>
Total business-type activities capital assets, net	\$ <u>2,434,300</u>	<u>225,848</u>	<u>-</u>	<u>-</u>	<u>2,660,148</u>

Note 5 - Refundable Water Deposits

The Water and Sewer Fund requires deposits for all new water connections. The deposit is refunded upon termination of service if no balance is owed on the customer account or after two years of current payments, whichever comes first. If an outstanding balance exists at termination, the deposit is first applied to the outstanding balance with any excess refunded. A total of the detailed list of deposits is carried as a current liability on the City's records.

CITY OF MILLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 6 - Interfund Transfers

During the year, the City made the following interfund transfers:

<u>Purpose</u>	<u>Amount</u>	<u>Transfer in</u>	<u>Transfer out</u>
Future capital outlays	\$ 90,000	Capital Projects	General

Note 7 - Long-Term Debt

Business-Type Activities Long-Term Debt

The following is a summary of long-term debt transactions of the City's proprietary fund for the year ended June 30, 2006:

Debts payable at July 1, 2005	\$ 1,807,736
Payments of principal	<u>(49,435)</u>
Debts payable at June 30, 2006	\$ <u>1,758,301</u>

Long term debt in the Water and Sewer Fund at June 30, 2006 is comprised of the following individual issues:

\$670,000 General Obligation Water Bonds, Series 1997A, issued March 1, 1997. Due in annual installments ranging from \$25,000 to \$55,000 until January 1, 2009, plus interest ranging from 4.25% to 5.70%. Final balloon payment of \$360,000 due January 1, 2017 from a sinking fund.	\$ 455,000
--	------------

\$328,000 General Obligation Water Bonds, Series 1997B, issued July 14, 1997. Due in 5 equal annual payments of \$65,600 beginning January 1, 2018. Interest accrues at 1.9% per annum and is payable in years 2018 to 2022.	328,000
--	---------

\$391,000 Water and Sewer Revenue Bonds, Series 2001, issued July 19, 2001. Due in 38 annual payments of approximately \$10,600 beginning February 1, 2004. Interest accrues at 0% per annum. Final balloon payment of \$26,200 due February 1, 2041.	350,200
---	---------

CITY OF MILLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 7 - Long-Term Debt (continued)

\$553,600 grant, issued July 19, 2001. Grant repayment is contingent upon when Millville City receives financing for a centralized sewer system. Management has determined that it is probable that the city will receive financing for a centralized sewer system at some point in the future. 553,600

\$79,416 Nibley City loan, issued January 1, 2005.
 Due in ten annual installments of \$7,942 beginning October 1, 2005. Interest accrues at 0% per annum. 71,501

Total long term debt \$ 1,758,301

The City was notified by Nibley City during fiscal year 2004 that overruns occurred in the construction of a sewer main. Nibley City claimed that the City's portion of the cost overrun was approximately \$92,000. During fiscal year 2005, the City entered into an agreement to pay approximately \$12,000 by December 31, 2004, and \$7,942 thereafter each year for ten years.

The annual requirements to amortize all proprietary long-term debt outstanding as of June 30, 2006 were as follows:

<u>Years ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 48,502	33,838
2008	48,502	32,313
2009	53,502	30,619
2010	53,502	28,699
2011	58,502	26,560
2012-2016	314,591	95,474
2017-2021	370,200	10,584
2022-2026	118,400	-
2027-2031	52,800	-
2032-2036	52,800	-
2037-2041	33,400	-
Contingent	<u>553,600</u>	<u>-</u>
Total	\$ <u>1,758,301</u>	<u>258,087</u>

The \$670,000 General Obligation bond covenants require a sinking fund to be established in years 2010 to 2017 with payment requirements ranging from \$35,000 to \$55,000. The debt service requirements detailed above are based upon the sinking fund payments.

CITY OF MILLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 7 - Long-Term Debt (continued)

Governmental Activities Long-Term Debt

During fiscal year 2006, the City incurred \$34,390 in interest expense related to business-type activities long-term debt. Of this amount \$27,150 was paid in cash and \$7,240 was capitalized in business-type activities net assets.

Note 8 - Restricted Net Assets/Reserved Fund Equity

Restricted net assets and reserved fund balances represent monies required to be maintained to satisfy third party agreements or legal requirements. The following schedule details restricted net assets and reserved equity balances at June 30, 2006:

Governmental Activities:

General Fund:

Class C roads	\$ 119,779
Park impact fees	120,117
Bridge Escrow	<u>3,390</u>
Total restricted net assets/reserved fund balance	\$ <u>243,286</u>

Business Activities:

Water Fund:

Revenue bond reserves	\$ <u>19,200</u>
Total restricted net assets	\$ <u>19,200</u>

The City assesses impact fees for parks and water improvements as allowed by State law. Impact fees represent fees assessed by the City for future capital improvements. These fees are not intended to recover impact costs for growth in areas not assessed by the City.

In accordance with the terms of the 2001 Water and Sewer Revenue Bonds, the City has reserved a portion of retained earnings to satisfy all reserves required by bond covenants.

CITY OF MILLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 9 - Retirement Plans

Defined Benefit Pension Plan

The City contributes to the Local Governmental Noncontributory Retirement System which is a multiple employer, cost sharing defined benefit pension plan administered by the Utah Retirement Systems. Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor.

The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System. A copy of this report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

During fiscal years 2006, 2005, and 2004, the City was required to contribute 11.09%, 11.09%, and 9.62%, of their annual covered salary, respectively, to the Local Governmental Noncontributory Retirement System. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Contributions to the Local Governmental Noncontributory Retirement Systems for the year ending June 30, 2006, 2005 and 2004 were as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Salary subject to retirement			
contributions	\$ 87,611	80,926	79,932
Employer contributions	9,716	8,975	7,689

All contributions by the City were paid by the due dates or within 30 days thereafter and were equal to the required contributions for each year.

The Utah State Retirement Board of the Utah Retirement Systems provides the City with the necessary retirement disclosures for their report. The Retirement Systems have implemented the accounting and reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 27 "Accounting for Pensions by State and Local Governmental Employers".

CITY OF MILLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 9 - Retirement Plans (continued)

Defined Contribution Plan

The City maintains a qualified cash or deferred compensation plan under section 401(k) of the Internal Revenue Code. Under the plan, eligible employees may elect to defer a portion of their salary, subject to Internal Revenue Service limits. For fiscal years 2006, 2005, and 2004, the City contributed \$19,200, \$11,322, and \$11,322 to the plan on behalf of City employees.

The City offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits all eligible employees to defer a portion of their salary until future years. For fiscal years 2006, 2005, and 2004, employees of the City contributed \$491, \$714, and \$559. For fiscal years 2006, 2005, and 2004, the City contributed \$3,158, \$2,687, and \$2,417 to the plan on behalf of City employees.

Note 10 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City participates in the Utah Local Government Insurance Trust, a public entity risk pool, to manage its risk of loss. The City pays an annual premium to the trust for its general insurance coverage. The Trust was created to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of two million dollars for each insured event. There have been no claim settlements which exceeded the City's insurance coverage for the past three years.

Note 11 - Inter-City Sewage System Improvements Cost Sharing Agreement

The City has entered into an agreement with Nibley City to construct and maintain certain components of Nibley's sewer collection system and to create excess capacity which may be utilized by the City. The agreement required the cities to jointly finance and pay for the initial construction of the sewer collection system. During fiscal year 2004, construction on the project was completed. As a part of the agreement, the City is obligated for and liable to pay the City's proportional share of all costs related to subsequent maintenance, replacement, and repair of the jointly owned components. In return the City receives the perpetual right to access and use the jointly owned components. This agreement can only be terminated by mutual agreement of the cities.

The City's portion of the jointly owned assets has been included in the water fund capital assets as improvements.

CITY OF MILLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 12 - Commitments

The City is responsible to participate in the maintenance and operating costs and any capital upgrades on common sewer main and pump station improvements with Nibley City. The City's perpetual right to access the common sewer improvements is contingent upon this participation.

Note 13 – Subsequent Event

Subsequent to year end the City obtained water and sewer bonds to finance the new construction of a one million gallon water tank. The total principal amount of the Series 2006 bonds is \$1,741,000 and bears an interest rate of 2.23% per annum. An interest only payment is due on February 1, 2007; and principal and interest payments will be made beginning February 8, 2008, continuing annually on February 1, 2009 until the year 2032.

Required Supplementary Information

CITY OF MILLVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For The Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 209,539	255,772	272,945	17,173
Licenses and permits	11,650	13,455	13,494	39
Intergovernmental	96,000	118,812	124,709	5,897
Charges for services	120,350	129,200	136,793	7,593
Fines and forfeitures	3,700	4,700	5,274	574
Miscellaneous revenues	6,000	19,700	25,728	6,028
Total revenues	447,239	541,639	578,943	37,304
Expenditures:				
General government	112,725	112,400	103,794	8,606
Public safety	56,450	65,713	60,824	4,889
Streets and public improvements	289,560	381,200	339,649	41,551
Parks and recreation	37,450	121,150	75,526	45,624
Total expenditures	496,185	680,463	579,793	100,670
Deficiency of revenues over expenditures	(48,946)	(138,824)	(850)	(137,974)
Other financing uses:				
Transfer out to capital projects fund	-	(90,000)	(90,000)	-
Total other financing uses	-	(90,000)	(90,000)	-
Net change in fund balance	\$ (48,946)	(228,824)	(90,850)	137,974
Fund balance - beginning of year			468,893	
Fund balance - end of year	\$		378,043	

CITY OF MILLVILLE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING
June 30, 2006

Budget Presentation

A Budgetary Comparison Schedule is presented for the General Fund and each major governmental fund. Budgets for governmental funds are adopted on a GAAP basis.

Annual appropriated budgets are adopted for all governmental and business-type funds. All annual appropriations lapse at fiscal year end. Each fund adopts a "balanced budget" in accordance with State law. As allowed by State law, the City Council may authorize increases to or uses of unreserved fund balances. In the budget presentations, authorized increases to fund balance are shown as positive changes in fund balance and authorized decreases are shown as negative changes in fund balance.

Budget Adoption and Monitoring

On or before the first scheduled council meeting in May, all agencies of the City submit requests for appropriation to the City's financial officers so that a budget may be prepared. The budget is prepared by fund, function, and activity and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the City Council for review at the first scheduled meeting in May. The City Council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. The City financial officer must, within the revenues and reserves, estimate any changes in the budget as available or revenue estimates may be changed by an affirmative vote of a majority of the City Council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22, and adoption of budgets is done similarly.

State statutes require that City officers shall not incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

Only the Council at a properly advertised public hearing can make increases in total fund appropriations. The final budget information presented reflects all approved amendments.

This page intentionally left blank

Supplementary Information

CITY OF MILLVILLE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For The Year Ended June 30, 2006
(With Comparative Totals for Year Ended June 30, 2005)

	2006		Variance	2005
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Taxes:				
General property taxes	\$ 43,072	44,264	1,192	40,988
Fee in lieu of property taxes	10,000	10,130	130	9,961
Sales and use taxes	198,200	214,470	16,270	185,495
Franchise taxes	4,500	4,081	(419)	4,319
Total taxes	255,772	272,945	17,173	240,763
Licenses and permits:				
Business licenses and permits	1,455	1,430	(25)	1,080
Non-business licenses and permits	12,000	12,064	64	13,042
Total licenses and permits	13,455	13,494	39	14,122
Intergovernmental:				
Class "C" roads	60,000	55,499	(4,501)	55,946
RAPZ grant	2,523	12,921	10,398	51,690
Sidewalk grant	42,000	42,000	-	-
EMT grant	13,713	13,713	-	3,895
Liquor allotment	576	576	-	499
Total intergovernmental	118,812	124,709	5,897	112,030
Charges for services:				
Sanitation	74,000	81,446	7,446	75,954
Impact fees	42,000	42,000	-	46,000
Recreation	1,200	1,775	575	1,878
911 fees	12,000	11,572	(428)	11,041
Total charges for services	129,200	136,793	7,593	134,873
Fines and forfeitures	4,700	5,274	574	4,047
Miscellaneous revenues:				
Interest	16,400	13,913	(2,487)	7,806
Other	3,300	11,815	8,515	23,914
Total miscellaneous	19,700	25,728	6,028	31,720
Total revenues	541,639	578,943	37,304	537,555

(continued)

CITY OF MILLVILLE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For The Year Ended June 30, 2006
(With Comparative Totals for Year Ended June 30, 2005)

(continued)

	2006		Variance Favorable (Unfavorable)	2005 Actual
	Budget	Actual		
Expenditures:				
General government:				
Council and mayor	5,000	5,491	(491)	4,930
Recorder	15,500	15,322	178	11,785
Treasurer	4,100	3,479	621	3,757
Professional	9,800	8,552	1,248	7,660
Bonds and insurance	8,000	6,807	1,193	6,489
Planning and zoning	3,700	2,711	989	4,475
Building and grounds	7,000	6,193	807	6,102
City engineering	25,000	25,969	(969)	5,904
Library	1,000	-	1,000	-
Elections	1,300	1,262	38	-
Development coordinator	6,000	4,985	1,015	4,942
Non-departmental	26,000	23,023	2,977	26,608
Total general government	112,400	103,794	8,606	82,652
Public safety:				
Fire protection	14,500	14,136	364	9,431
Law enforcement	19,200	18,576	624	18,499
Animal control	4,200	3,872	328	4,621
EMT	13,713	10,236	3,477	9,250
Crossing guards	2,700	2,682	18	2,593
911 dispatch	11,400	11,322	78	10,830
Total public safety	65,713	60,824	4,889	55,224
Streets and public improvements:				
Streets and highways	123,000	104,589	18,411	38,359
Class C roads	175,000	151,986	23,014	47,270
Sanitation	83,200	83,074	126	78,943
Waste water planning grant loan payoff	-	-	-	34,000
Total streets and improvements	381,200	339,649	41,551	198,572

(continued)

CITY OF MILLVILLE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For The Year Ended June 30, 2006
(With Comparative Totals for Year Ended June 30, 2005)

(continued)

	2006		Variance	2005
	Budget	Actual	Favorable (Unfavorable)	Actual
Parks and recreation:				
Parks and recreation programs	99,150	38,560	60,590	32,718
Capital outlay	22,000	36,966	(14,966)	51,690
Total parks and recreation	121,150	75,526	45,624	84,408
Total expenditures	680,463	579,793	100,670	420,856
Excess (deficiency) of revenues over expenditures	(138,824)	(850)	137,974	116,699
Other financing sources (uses):				
Transfer in from water and sewer fund	-	-	-	34,000
Transfer out to the capital projects fund	(90,000)	(90,000)	-	(60,000)
Total other financing uses	(90,000)	(90,000)	-	(26,000)
Net change in fund balance	\$ (228,824)	(90,850)	137,974	90,699
Fund balance - beginning of year		468,893		378,194
Fund balance - end of year	\$	378,043		468,893

CITY OF MILLVILLE
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Miscellaneous revenues	\$ <u>1,200</u>	<u>7,300</u>	<u>7,579</u>	<u>279</u>
Total revenues	<u>1,200</u>	<u>7,300</u>	<u>7,579</u>	<u>279</u>
Expenditures:				
Capital outlay	<u>1,200</u>	<u>1,200</u>	<u>124</u>	<u>1,076</u>
Total expenditures	<u>1,200</u>	<u>1,200</u>	<u>124</u>	<u>1,076</u>
Excess of revenues over expenditures	<u>-</u>	<u>6,100</u>	<u>7,455</u>	<u>1,355</u>
Other financing sources:				
Transfers in	<u>-</u>	<u>90,000</u>	<u>90,000</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>90,000</u>	<u>90,000</u>	<u>-</u>
Net change in fund balance	\$ <u>-</u>	<u>96,100</u>	<u>97,455</u>	<u>1,355</u>
Fund balance - beginning of year			<u>175,490</u>	
Fund balance - end of year	\$		<u>272,945</u>	

CITY OF MILLVILLE
WATER AND SEWER FUND
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
For The Year Ended June 30, 2006
(With Comparative Totals for Year Ended June 30, 2005)

	2006		Variance	Actual
	Budget	Actual	Favorable (Unfavorable)	2005
Operating revenues:				
Services	\$ 163,800	203,106	39,306	169,211
Miscellaneous	-	725	725	13,683
Total operating revenues	163,800	203,831	40,031	182,894
Operating expenses:				
Salaries and benefits	86,000	75,435	10,565	72,552
Current expenses	300,300	287,829	12,471	66,784
Total operating expenses	386,300	363,264	23,036	139,336
Operating income (loss)	(222,500)	(159,433)	63,067	43,558
Non-operating income (expense):				
Impact fees	63,000	63,000	-	69,000
Fees in lieu of water shares	22,168	29,260	7,092	18,500
Interest income	19,850	15,451	(4,399)	9,059
Bond payments	(77,407)	(76,597)	810	(65,128)
Total non-operating income (expense)	27,611	31,114	3,503	31,431
Other financing (uses):				
Transfers out	-	-	-	(34,000)
Total other financing (uses)	-	-	-	(34,000)
Net change in net assets - budget basis	\$ (194,889)	(128,319)	66,570	28,603
Adjustments from budget basis to GAAP basis:				
Developer contributions		50,400		73,925
Capital outlay		248,339		12,386
Principal payments		49,435		34,600
Bond interest expense		(7,240)		(7,105)
Depreciation and amortization		(74,400)		(50,311)
Net change in net assets - GAAP basis	\$	138,215		92,098

CITY OF MILLVILLE
SUPPLEMENTAL WATER, SEWER, AND INSURANCE
INFORMATION
June 30, 2006

Utility Users and Rates

The Millville City water and sewer fund serves both residential and commercial users. As of June 30, 2006 there were the following users:

Residential	490
Commercial	<u>3</u>
Total	<u>493</u>

Water and sewer rates:

The monthly rate charged by water line size is as follows:

3/4" - 1" (standard)	\$ 20.00 per month
1 1/2" Line	\$ 45.00 per month
2" Line	\$ 80.00 per month
4" Line	\$320.00 per month

In addition to the above monthly fees, a water usage charge of \$.60 per 1,000 gallons is assessed to each meter. Each connection is charged \$2.00 monthly for sewer main debt service. Customers are billed monthly.

Insurance and Bond Coverage

The City has insurance and bonding policies with effective limits as follows:

<u>Description</u>	<u>Issuer</u>	<u>Number</u>	<u>Policy Limits</u>	<u>Expiration date</u>
--------------------	---------------	---------------	----------------------	------------------------

Insurance:

Comprehensive general liability (no deductible)	Utah Local Govt. Trust	TGL-241	\$ 2,000,000	Continuous
Buildings and contents (\$1,000 deductible)	Utah Local Govt. Trust	PX809764	\$ 1,333,400	7/1/2007
Auto physical damage (\$250/\$500 deductible)	Utah Local Govt. Trust	12420	\$ 70,700	7/1/2007

Bonds:

Treasurer	Western Surety Insurance Co.	69658601	\$ 60,000	2/12/2007
Fidelity Bond	Old Republic	1072515	\$ 25,000	10/19/2007

CITY OF MILLVILLE
SUPPLEMENTAL IMPACT FEE
INFORMATION
June 30, 2006

Impact Fees Collected

The following schedule details the unspent impact fee funds by year in which they were received.

	<u>Park Impact Fees</u>	<u>Water Impact Fees</u>
2004	32,117	-
2005	46,000	-
2006	42,000	-
	<u>120,117</u>	<u>-</u>
Total unspent impact fees	<u>120,117</u>	<u>-</u>

Planned uses for unspent impact fees

North Park development	<u>120,117</u>
------------------------	----------------

Projected schedule for expenditure:

2007	100,000
2008	20,117

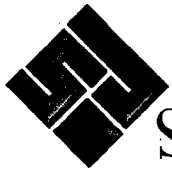
Other Information

Millville City collects park impact fees to fund the development of parks within the City.

As of June 30, 2006, Millville City collected water impact fees to make payments on a bond used to construct a one million gallon water tank. Subsequent to year end, Millville City obtained a new bond which will be used to construct another one million gallon water tank.

CITY OF MILLVILLE, UTAH
GOVERNMENTAL AUDIT REPORT

June 30, 2006



**JONES
P.C.
SIMKINS**

Certified Public Accountants

1011 West 400 North, Suite 100

P.O. Box 747

Logan, UT 84323-0747

Phone: (435) 752-1510 • (877) 752-1510

Fax: (435) 752-4878

OFFICERS:

Paul D. Simkins, CPA

Michael C. Kidman, CPA, MBA

Brent S. Sandberg, CPA

Brett C. Hugie, CPA

Mark E. Low, CPA

H. Paul Gibbons, CPA

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To the Honorable Mayor and City Council
City of Millville
Millville, Utah

We have audited the financial statements of the governmental activities, the business type activities, and each major fund of the City of Millville, Utah (the City), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated November 9, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated November 9, 2006.

This report is intended solely for the information and use of City management personnel, the City Council and State agencies and is not intended to be and should not be used by anyone other than these specified parties.



JONES SIMKINS, P.C.
November 9, 2006

This page intentionally left blank

CITY OF MILLVILLE
STATE COMPLIANCE REPORT

June 30, 2006



Certified Public Accountants

1011 West 400 North, Suite 100

P.O. Box 747

Logan, UT 84323-0747

Phone: (435) 752-1510 • (877) 752-1510

Fax: (435) 752-4878

OFFICERS:

Paul D. Simkins, CPA

Michael C. Kidman, CPA, MBA

Brent S. Sandberg, CPA

Brett C. Hugie, CPA

Mark E. Low, CPA

H. Paul Gibbons, CPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH STATE LEGAL COMPLIANCE REQUIREMENTS**

To the Honorable Mayor and City Council
City of Millville
Millville, Utah

We have audited the financial statements of the governmental activities, the business type activities, and each major fund of the City of Millville, Utah (the City), as of and for the year ended June 30, 2006, and have issued our report thereon November 9, 2006. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or not allowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major state assistance programs from the State of Utah:

Class C Road Funds (Department of Transportation)
Liquor Law Enforcement Funds (Tax Commission)

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the City's financial statements).

EMT Grant (Department of Health)
Sidewalk Construction Grant (Department of Transportation)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Truth in Taxation and Property Tax Limitations
- Other General Issues
- Impact Fees

The management of the City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance when forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the City complied in all material respects with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility, matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.



JONES SIMKINS, P.C.
November 9, 2006



Certified Public Accountants

1011 West 400 North, Suite 100
P.O. Box 747
Logan, UT 84323-0747
Phone: (435) 752-1510 • (877) 752-1510
Fax: (435) 752-4878

OFFICERS:

*Paul D. Simkins, CPA
Michael C. Kidman, CPA, MBA
Brent S. Sandberg, CPA
Brett C. Hugie, CPA
Mark E. Low, CPA
H. Paul Gibbons, CPA*

To the Mayor and City Council
City of Millville
Millville, Utah

We have audited the financial statements of the City of Millville (the City) for the year ended June 30, 2006, and have issued our report thereon dated November 9, 2006.

Communications Required Under Professional Standards

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards, Government Auditing Standards.

As stated in our engagement letter dated May 1, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and to report on the internal control in accordance with Government Auditing Standards and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies and Audit Adjustments

Management has the responsibility for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application.

For the purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures.

We assisted the City in making year-end accrual entries and posting budget basis to generally accepted accounting principles (GAAP) basis adjustments. In addition, several entries were necessary to convert from the fund basis to the entity-wide basis of financial reporting based on information that management provided.

Internal Control

In planning and performing our audit of the financial statements of the City for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control. Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no conditions during our review of the internal control that we believe are material weaknesses. However, our audit disclosed the following conditions that although not considered by us to be material weaknesses, are either weaknesses in internal control for which corrective action might be taken or are immaterial instances of noncompliance.

General Recommendations

1. A follow-up on the recommendations in this letter should be made by the Council and reflected in the Council's minutes.

Management Response:

The "General Recommendations" of the audit will be presented to the city council at the time the audit is presented. During the following council meeting a discussion on the recommendations will be held and appropriate response taken.

2. The City Council and management should be aware that accounting and auditing standards continue to be issued at a rapid rate. New standards effective in the near future require management to assess a wide variety of risks and implement controls to address these risks. Management needs to review these new standards and determine what impact they might have on the City's policies and procedures.

Management Response:

By continuing to attend training regarding new standards, management plans to address areas of concern as they are brought to our attention.

State Compliance

1. At June 30, 2006, the General Fund's unreserved fund balance was in excess of the maximum amount allowable under state law. We recommend that the City review its future needs and determine an appropriate strategy for maintaining the General Fund's unreserved fund balance within statutory limits.

Management Response:

Certain budgeted expenditures for fiscal year 2006 in the General Fund did not occur, resulting in this violation. The Council and management will monitor unreserved General Fund equity and designate it for General Fund projects or transfer excesses to the Capital Projects Fund as serves the needs of the City.


The prior year's recommendations that have been addressed by management or the Council have not been repeated.

City of Millville

Page 4

We appreciate the cooperation and assistance from City personnel during our audit. Their help was very beneficial in the completion of this year's audit.

This report is intended solely for the use of the Mayor and City Council and should not be used for any other purposes. If questions arise concerning the above recommendations, please contact us and we will be happy to discuss them with you.

A handwritten signature in cursive script, reading "Jones Simkins, P.C.", written in black ink.

JONES SIMKINS, P.C.

November 9, 2006

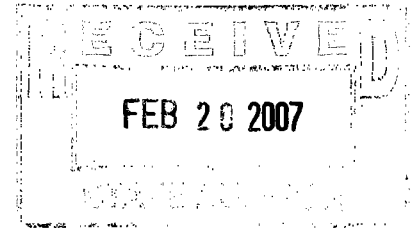


Post Office Box 308

Millville, Utah 84326

February 15, 2007

State of Utah
Office of the State Auditor
Utah State Capitol Complex
East Office Building, Suite E310
PO Box 142310
Salt Lake City, UT 84114-2310



RE: Noncompliance Corrective Action Plan

We are responding to the letter sent on January 29, 2007. In that letter you required that we prepare and submit to you a written corrective action plan to address each area of noncompliance. As there was one area noted of noncompliance, this letter is to serve as the corrective plan.

Millville City anticipated the incurrence of certain park construction costs in May and June of 2006 and budgeted as such in its General Fund. However, the contractor did not perform this expected construction until July and August 2006. To prevent non-compliance in the future, we plan to transfer funds into our Capital Projects Fund from our General Fund before the end of each fiscal year in the amount necessary to be in compliance with State law. The contact person for the corrective action would be myself and we anticipate this being corrected before the end of the 2007 fiscal year.

Thank you for your concern and in helping us to fulfill the responsibilities we have to our constituents.

Sincerely,

Michael E. Johnson, Mayor

rmj